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Canada

Internal Audit of the Sport Canada Hosting Program

Office of the Chief Audit and Evaluation Executive
Audit and Assurance Services Directorate

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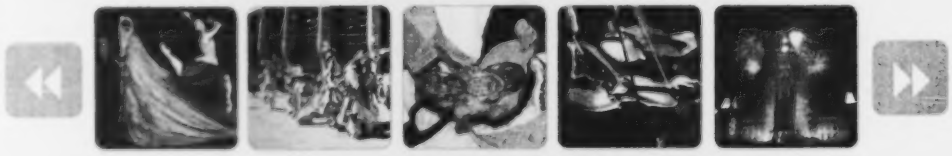

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Executive Summary

Introduction

The Hosting Program was developed to support the Government of Canada's overall approach to sport development in Canada and to foster development in Canadian sport excellence. It was also developed to raise the international profile of sports organizations by assisting them in hosting the Canada Games and international sporting events within Canada. Athletes, sport organizations and host societies are the primary targets of this Program. The Program is delivered through four components:

i) International major multisport games;
ii) International single-sport events;
iii) International multisport games for Aboriginal peoples and persons with a disability; and
iv) Canada Games.

It is administered by Sport Canada which falls under the mandate of the International and Intergovernmental Affairs and Sport Sector within Canadian Heritage.

The Program is delivered by approximately 25 full-time equivalents and its total budget for 2008-2009 was $18.75M.

The authority for this audit is derived from the multi-year risk-based audit plan which was recommended by the Departmental Audit Committee and approved by the Deputy Minister in June 2008. The audit scope covered the period from April 1, 2006 to December 31, 2008. The objectives of this audit were to provide Canadian Heritage senior management with assurance that:

- management controls, risk management frameworks and overall governance structure are effective and adequate; and,
- procurement activities comply with policies and regulations.

Key Findings

Throughout the audit fieldwork, the audit team observed several examples of how controls are properly designed and are being applied effectively by Hosting Program management. This resulted in several positive findings which are listed below:

- The program has developed many tools/templates to help Program Officers perform their duties and responsibilities consistently.
- The program has experienced low staff turnover.
- The program initiated a study in 2007 to ensure that program staff had the competencies required to perform their duties. Where improvements were possible, they were reported and included within employee learning plans.

- The audit team noted that program information has been made available to recipients on the program's website.
- The program extensively uses/leverages available tools to create efficiencies within its processes and procedures.

The audit team also identified two areas where management practices require improvements as follows:

- Length of Application Review/Approval Process and Service Delivery Standards; and,
- Performance Management.

Recommendations

1. The Director General, Sport Canada should consider whether alternative approaches can be implemented to decrease the length of the review and approval process. Consideration should be given to implementing a more risk-based approach to managing applications. Similarly, consideration should be given to the use of multi-year agreements for recurring events and the incorporation of multiple events within a single contribution agreement for repeat applicants.

2. The Director General, Sport Canada should establish formalized and externally communicated service delivery standards for processes within the program's control. These standards should take into account required approvals and be aligned with departmental service delivery standards which are currently being developed.

3. The Director General, Sport Canada should identify what additional performance information would be beneficial to allow the program to readily demonstrate results and to identify on-going improvements to its processes. This information should be aligned with Sport Canada's Performance Management Framework (put in place in April 2009) which is based on the department's new Program Activity Architecture.

4. The Director General, Sport Canada should implement a formal process and a set of supporting tools to ensure that required performance information is gathered, analyzed and results shared with program stakeholders on a regular basis.

Statement of Assurance

In my professional judgment as Chief Audit and Evaluation Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed to with management. The opinion is applicable only to the entity examined and within the scope described herein. The evidence was gathered in

compliance with Treasury Board policy, directives, and standards on internal audit and the procedures used meet the professional standards of the Institute of Internal Auditors. Sufficient evidence was gathered to provide senior management with the proof of the opinion derived from the internal audit.

Audit Opinion

Further to my review of management controls, risk management frameworks and overall governance structures to ensure practices are effective and adequate, in my opinion, the Hosting Program has moderate issues requiring management focus in the areas of citizen focused services and results and performance management.

Original signed by:

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1. Introduction and Context

1.1 Authority for the Project

The authority for this audit is derived from the multi-year risk-based audit plan which was recommended by the Departmental Audit Committee and approved by the Deputy Minister in June 2008.

1.2 Background

The Hosting Program was developed to support the Government of Canada's overall approach to sport development in Canada and to foster development in Canadian sport excellence. It was also developed to raise the international profile of sports organizations by assisting them in hosting the Canada Games and international sporting events within Canada. Athletes, sport organizations and host societies are the primary targets of this program.

The three main objectives of the Hosting Program are to:

a) Strengthen the sport excellence and sport development impacts of bidding and hosting the Canada Games and targeted international sport events;
b) Increase access and equity for designated under-represented groups through contributions to international bidding and hosting events; and
c) Strengthen the associated economic, social, cultural and community impacts of supported bidding and hosting projects, in keeping with the Government of Canada interests and priorities.

Contributions are made to organizations that are incorporated as non-profit corporations under federal or provincial law, including eligible National Sport Organizations and Multisport Service Organizations, and organizations created for a specific bidding or hosting project.

The program is delivered through four components which are described below:

i) International major multisport games;
ii) International single-sport events;
iii) International multisport games for Aboriginal peoples and persons with a disability; and
iv) Canada Games.

i) International Major Multi-Sport Games: These events are large multisport games, governed by an international sport franchise holder with links to sports International Federations. Examples of International Major Multi-Sport Games include: the Summer and Winter Olympic and Paralympic Games; the Commonwealth Games; and, the Pan American Games.

ii) International Single-Sport Events: These events are governed by a sport's International Federation (or the regional/continental counterpart). This category includes events which may range in size and complexity from small (Tier I, <$250K) to large (Tier II, >$250K). Example of International Single-Sport Events include: World Championships; Olympic or Paralympic qualification events; and, World Cups.

iii) International Multi-Sport Games for Aboriginal Peoples and Persons with a Disability: These events are multi-sport games which provide quality competition opportunities for designated under-represented groups which face systemic barriers to sport participation, and which form part of a Government of Canada strategy to decrease these barriers through National Sport Organizations and Multisport Service Organizations partnerships.

iv) Canada Games: Annual contributions are made to host societies and the Canada Games Council (also funded through the Sport Support Program) to support these events that are held every second year, alternating between summer and winter. Sport Canada collaborates with the host municipal and provincial/territorial governments to financially support each edition of the Games.

The Hosting Program is administered by Sport Canada, which falls under the mandate of the International and Intergovernmental Affairs and Sport Sector within Canadian Heritage.

The Program is included within Sport Canada's umbrella Results-based Management and Accountability Framework and Risk-Based Audit Framework which was amended and submitted in March 2007. The Program is delivered by approximately 25 full-time equivalents and its total budget for 2008-2009 was $18.75M.

2. Objectives

The objectives of this audit were to provide Canadian Heritage senior management with assurance that:

- management controls, risk management frameworks and overall governance structure are effective and adequate; and,
- procurement activities comply with policies and regulations.

3. Scope

The audit scope covered the period from April 1, 2006 to December 31, 2008 and addressed areas such as internal controls and stewardship, risk management, and governance. The audit was carried out at Canadian Heritage headquarters in Gatineau, Quebec between March and June 2009. The audit covered all four components of the program. The scope does not include the Vancouver 2010 Olympic and Paralympic Winter Games as this is the responsibility for the 2010 Olympic and Paralympic Winter Games Federal Secretariat.

4. Approach and Methodology

The internal audit of the Hosting Program was conducted in accordance with the Standards for the Professional Practice of Internal Auditing as per the Institute of Internal Auditors and the standards and requirements set out in the Treasury Board Policy on Internal Audit.

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the audit opinion provided and contained in this report.

The principal audit techniques used included:

- Conducting interviews with Hosting Program management and staff;
- Reviewing relevant program documentation and its compliance with Treasury Board Secretariat and departmental policies, guidelines and procedures;
- Evaluating the system of internal controls within the program; and,
- Conducting a detailed examination of a sample of applicant files to ensure funding decisions made by the program and funding payments made were appropriate and supported by appropriate documentation.

The approach used to address the audit objectives included the development of audit criteria against which observations, assessments and conclusions were drawn. The audit criteria developed for this audit are included in Appendix A.

For purposes of the examination of applicant files, a control-based sample of project files was selected covering the period of audit scope of April 1, 2006 to December 31, 2008. A total of 32 out of 227 project files were statistically selected. The selected files represented approximately 74 percent of the total amount disbursed on project files during the scope of the audit and close to 60 percent of the total amount of contributions approved.

5. Observations, Recommendations and Management Response

Based on a combination of the evidence gathered through documentation examination, analysis and interviews, each audit criterion was assessed by the audit team and a conclusion for each audit criterion was determined. Where a significant difference between the audit criterion and the observed practice was found, the risk of the gap was evaluated and used to develop a conclusion for each audit criterion and to document recommendations for future improvement initiatives.

Throughout the audit fieldwork, the audit team observed several examples of how controls are properly designed and are being applied effectively by Hosting Program management. This resulted in several positive findings which are listed below:

- The program has developed many tools/templates to help Program Officers perform their duties and responsibilities consistently.
- The program has experienced low staff turnover.
- The program initiated a study in 2007 to ensure that program staff had the competencies required to perform their duties. Where improvements were possible, they were reported and included within employee learning plans.
- The audit team noted that program information has been made available to recipients on the program's website.
- The program extensively uses/leverages available tools (such as a matrix structure to reallocate resources and Grants and Contributions Information Management System) to create efficiencies within its processes and procedures.

The program was found to be generally well controlled; having said that, the audit team did identify two areas where management controls can be improved. Details of these observations are provided in the next section.

5.1 Citizen Focused Services

5.1.1 Length of Application Review/Approval Process and Service Delivery Standards

During file testing, the audit team noted that the length of the review/approval process for applications sometimes resulted in funding being provided later than desired by both the program and recipients. To illustrate this, in some instances relating to International single-sport events Tier I events, final funding approvals were received after events had commenced, not allowing the applicant adequate time to plan/execute their event knowing with certainty that program funding would be received. Furthermore, instances of approvals taking longer than 5 months were found in two of the three Canada Games files tested. In addition, the audit team noted that service delivery standards for key processes within the Program's control have not been developed, making it challenging to assess performance with regards to the timeliness of the process.

Analysis

In its efforts to ensure that program funding is approved in advance of events, the program currently requests that applications be received six months to one year before the event. Even with these efforts, for reasons which are sometimes out of the program's control, the program remains unable to ensure that applications are consistently reviewed and approved well in advance of events taking place. Based on the audit analysis conducted, many factors contribute to the delays experienced in the approval of applications, with examples including: delays in receiving all necessary information from applicants; updates being requested to information presented within the program's Recommendation for Approval Form; time required to address questions and to receive approvals at multiple levels within the department; limited application of risk ratings for applications to streamline the review and approval process; etc.

In addition, the audit team noted that, although the program funds recurring events and applicants, separate contribution agreements were signed for each of these events. This results in a separate review and approval process for each event/application.

Finally, it should be noted that the time taken for the program's review and approval process could not be assessed against established service delivery standards as such standards have not yet been developed for the program.

Risk Assessment

Timely notification to recipients on the status of their application is critical to allow them to adequately plan events and fully leverage funds received from the program in an optimal manner. The length of the current review and approval process for the program results in recipients being advised later than desired on the status of their application, which increases the risk that recipients are not able to fully leverage program funding and also has an impact on both recipient and program personnel satisfaction.

Establishing and monitoring program service delivery standards is an effective way to ensure that a program is currently meeting its expectations with respect to review/approval times for applications. The absence of such standards therefore increases the risk that the program is currently not monitoring/assessing whether it is meeting its expectations with respect to review/approval times. The establishment of service delivery standards is also increasingly important going forward as it is now a requirement of the Policy and Directive on Transfer Payments which took effect in October 2008.

Recommendations

1. The Director General, Sport Canada should consider whether alternative approaches can be implemented to decrease the length of the review and approval process. Consideration should be given to implementing a more risk-based approach to managing applications. Similarly, consideration should be given to the use of multi-year agreements for recurring events and the incorporation of multiple events within a single contribution agreement for repeat applicants.

2. The Director General, Sport Canada should establish formalized and externally communicated service delivery standards for processes within the program's control. These standards should take into account required approvals and be aligned with departmental service delivery standards which are currently being developed.

Management Response

Agreed.

5.2 Results and Performance Management

5.2.1 Performance Management

The audit team noted that, while the program gathers and reports overall performance information to address Sport Canada reporting requirements through the Report on Plans and Priorities, the Departmental Performance Report, and an Annual Sport Canada Questionnaire, there are limited tools and processes within the program to identify, gather and report on more specific information that would be useful to the program to demonstrate that it is meeting its specific objectives and goals as well as to identify improvement opportunities within the program's processes.

Analysis

The program reports overall performance information through the departmental Report on Plans and Priorities; the Departmental Performance Report; and, an annual Sport Canada Questionnaire (covering data such as number of athletes, number of events funded, etc.). Based on the audit work conducted – including input from program management – the program could, however, benefit from a more formalized process to identify, gather, analyse and report on additional performance metrics (at the program level) to enable the program to assess whether it is meeting its program objectives and goals and to allow it to identify on-going improvements.

Risk Assessment

Identifying, collecting, analyzing and reporting on relevant and appropriate program performance information is key in ensuring and demonstrating that program objectives and goals are being met. In the absence of performance management activities, there is an increased risk that the program will be unable to demonstrate its relevance and results. In addition, important improvement opportunities within the program could be missed.

Recommendations

3. The Director General, Sport Canada should identify what additional performance information would be beneficial to allow the program to readily demonstrate results and to identify on-going improvements to its processes. This information should be aligned with Sport Canada's Performance Management Framework (put in place in April 2009) which is based on the department's new Program Activity Architecture.

4. The Director General, Sport Canada should implement a formal process and a set of supporting tools to ensure that required performance information is gathered, analyzed and results shared with program stakeholders on a regular basis.

Management Response

Agreed.

Appendix A – Audit Criteria

The conclusions reached for the audit criteria used in the audit were developed according to the following definitions.

Numerical Categorization	Conclusion on Audit Criteria	Definition of Conclusion
1	Well Controlled	• Well managed, no material weaknesses noted; and, • Effective.
2	Controlled	• Well managed, but minor improvements are needed; and, • Effective.
3	Moderate Issues	Has moderate issues requiring management focus (at least one of the following two criteria need to be met): • Control weaknesses, but exposure is limited because likelihood of risk occurring is not high; or, • Control weaknesses, but exposure is limited because impact of the risk is not high.
4	Significant Improvements Required	Requires significant improvements (at least one of the following three criteria need to be met): • Financial adjustments material to line item or area or to the department; or, • Control deficiencies represent serious exposure; or, • Major deficiencies in overall control structure.

The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn. In cases where significant improvements (4) and/or moderate issues (3) were observed, these were reported in the audit report, and the exposure risk is noted in the table below.

Audit Criteria	Conclusion	Observations/Examples of Key Evidence
Program Design		
1.1 Organizational structure, available capacity, and competencies are reviewed and match those required to deliver the Program.	1	• There has been limited staff turnover and vacancies within the program • The program recently conducted a competency review • Officer workloads and the distribution of program files are monitored by program management
1.2 Standard operating procedures for service delivery and systems to ensure quality have been developed.	3	• The program has developed many tools/templates to help Program Officers perform their duties and responsibilities consistently • Service delivery standards have not been developed for the program, making it challenging to assess timeliness of its processes
1.3 Authority, responsibility, and accountability are clear and well communicated to staff. Accountability in support of collaborative initiatives is formally defined.	2	• Authority, responsibility, and accountability are clear and well communicated within the program. Approval requirements were tested during file testing and no exceptions were noted • It was noted that there are not always conflict of interest clauses within agreements with Hosting Program experts • Adopting formal processes to ensure ongoing employee independence from applicants is an emerging best practice that should be considered
1.4 Mechanisms are used to systematically identify, assess and mitigate risks to program and within key processes.	2	• Program risks are reviewed annually as a part of the program's annual business planning process • The program uses a risk assessment grid to assess recipient risk • An emerging best practice/ expectation is the greater use of risk assessment results to specify recipient reporting and monitoring requirements
Application Solicitation and Submission		
2.1 An appropriate and clear method of public communication is used to inform the target audience and its	2	• Key program information has been made available to recipients on the program's website

Audit Criteria	Conclusion	Observations/Examples of Key Evidence
effectiveness is periodically reassessed.		• Up-front communication of program requirements with respect to lobbyists and former public servants (i.e. within the program's application process) would be beneficial
2.2 Application forms are readily available, easy to complete, and request all information needed to assess eligibility.	1	• Application forms and guidelines are available on the program's website and are easy to complete
2.3 Applications are completed with reasonable and equitable Canadian Heritage assistance.	2	• A reasonable level of support is provided to applicants during the application process • To increase transparency within its application process, distribution of Hosting Program's evaluation grid to recipients would be beneficial
2.4 All submitted applications are accurately recorded.	1	• No exceptions were noted during file testing
Eligibility Assessment and Recommendation		
3.1 Recommendations (and rejections) include adequate rationale, demonstrate assessment of recipient's eligibility and capacity to perform, need for funding, and their financial viability. When greater diligence is required, additional review procedures exist and are followed.	1	• No exceptions were noted during file testing
3.2 Those with financial authority certify that sufficient funds are available in the program budget and the funds are committed before forwarding recommendations for approval (Section 32).	1	• No exceptions were noted during files testing
3.3 All funding recommendations are approved appropriately by the Minister or delegated authority.	3	• The length of review/approval process, which sometimes caused approvals to be received after event commenced, was noted as a challenge. In certain cases approvals were not processed in a timely manner
Contribution Agreement Preparation		
4.1 All contribution agreements are documented, authorized, and recorded accurately.	1	• No exceptions were noted during file testing

Audit Criteria	Conclusion	Observations/Examples of Key Evidence
4.2 Contribution agreements are signed by approved authority prior to start of the period covered by agreements.	3	• The length of the program's review/approval process was noted as a challenge
4.3 Management of agreement and funding amendments is limited to authorized personnel, and any amendments are promptly approved and retained with the original agreement.	1	• No exceptions were noted during file testing
Payment & Recipient Monitoring		
5.1 Approval of claims and request for payments are issued only following confirmation of: • a signed contribution agreement or grant letter; • appropriateness of the amount requested and remaining availability of funds under the agreement; • compliance with eligible expenses; and, • compliance with performance conditions of agreements (Section 34)	1	• No exceptions were noted during file testing
5.2 All payments are recorded accurately in SAP and in the proper period. Where inappropriate payments have been detected, corrective actions are promptly taken.	1	• No exceptions were noted during file testing
5.3 Upon successful completion of a funding agreement, project files are closed in Grants and Contributions Information Management System and paper files archived.	1	• No exceptions were noted during file testing
Program Monitoring and Reporting		
6.1 Information is collected and ongoing activities are taking place to periodically re-assess the program design and adjust as required.	3	• Expected metrics are defined within the Sport Canada Results-based Management and Accountability Framework / Risk-Based Audit Framework • Results are reviewed and included within the Report on Plans and
6.2 Expected metrics/ results/ delivery standards are clearly defined, measured and variances	3	

Audit Criteria	Conclusion	Observations/Examples of Key Evidence
investigated.		Priorities, Departmental Performance Report and Sport Canada Annual Questionnaire • The audit team noted that there were limited tools and processes within the program to identify, gather and report on more detailed program performance information that would be helpful to the program in demonstrating results and identifying improvement opportunities
6.3 Reports on performance are routinely shared with the appropriate stakeholders and the usefulness of reports is demonstrated.	3	